

Guinness Brewing (UK) 1996 Profit Sharing Scheme Limited

**FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1999**

Company Registration No. 2634629



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COMPANIES HOUSE

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DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 1999.

Activities

The company acts as a trustee and nominee for the purpose of administering a profit sharing share scheme. Over the period 13 to 20 October 1999 695,741 ordinary shares in Diageo plc at £6.0468 per share were purchased. These purchases were financed by a loan from a group undertaking.

Year 2000

The Year 2000 problem refers to the inability of some information systems and computerised equipment to handle four-digit years, causing them to generate inaccurate information and potentially to fail. The Diageo group established a compliance programme in each of its main business units (UDV, Pillsbury, Guinness, Burger King) and subsidiaries to investigate and manage potential impacts. The programmes were co-ordinated at Group level with regular status reports to the Diageo board.

All critical systems and processes were declared Year 2000 ready in September 1999, and to date no major issues have been identified. Procedures are in place to monitor developments and will continue for as long as the Year 2000 risk remains.

The full cost of managing the Year 2000 problem for Guinness Brewing (UK) 1996 Profit Sharing Scheme Limited has not been identified separately, but is included within the overall programme cost shown in the annual report of the ultimate parent company, Diageo plc.

Euro

The directors do not anticipate that there will be any implications on the activities of the company on the introduction of the euro.

There are no costs associated with the introduction of the euro for Guinness Brewing (UK) 1996 Profit Sharing Scheme Limited. A statement explaining the impact of the introduction of the euro, and the programme put in place to deal with this along with associated costs, for the Diageo group, is shown in the annual report of the ultimate parent undertaking, Diageo plc.

Financial

The company did not receive any income or incur any expenditure during the year (1998: £nil), and there were no other recognised gains or losses.

DIRECTORS' REPORT (continued)

Directors

The directors who served during the year were as follows:-

S M Bunn
R H Myddelton
M D Peters

Emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (1998: £nil).

Directors' interests

No directors had any interest, beneficial or non-beneficial, in the share capital of the company or had a material interest during the year in any significant contract with the company.

The directors who held office at the end of the year had the following beneficial interests in ordinary shares of 28 101/108 of the ultimate parent company, Diageo plc:-

Shares and awards over ordinary shares

	Ordinary shares of 28 101/108p (1)	Ordinary shares of 28 101/108p (1)	Diageo LTIP (2)	Diageo LTIP (2)	RSP awards (3)
	1.7.98 or date of appointment	30.6.99	Performance cycle commencing 1.1.98	Performance cycle commencing 1.1.99	30.6.99
S M Bunn	-	2,061	2,250	2,400	-
R H Myddelton	20,049	19,519	18,524	16,844	18,081
M D Peters	3,693	4,744	2,250	2,400	-

Options over ordinary shares

	1.7.98 or date of appointment	Granted during year	Exercised during year	30.6.99
S M Bunn	14,672	433	11,084	4,021
R H Myddelton	207,522	-	3,168	204,354
M D Peters	13,348	433	1,051	12,730

The directors held the above options under Grand Metropolitan PLC and Diageo plc share option schemes at prices between 314p and 533.5p per share exercisable by 2007.

The mid-market share price of Diageo plc shares fluctuated between 480.5p and 778.5p per share during the year. The mid-market share price on 30 June 1999 was 662.5p.

DIRECTORS' REPORT (continued)

At 30 June 1999 the directors had an interest in 21,897,568 shares and 3,123,181 shares subject to call options held by trusts to satisfy grants made under ex-Grand Metropolitan incentive plans, ex-Guinness incentive plans and Diageo incentive plans and savings-related share option schemes.

NOTES

(1) Ordinary shares

Interests in ordinary shares at 1 July 1998, or date of appointment where applicable, include B shares converted at a rate of 70.993915 ordinary shares to every 100 B shares, although the conversion actually occurred on 1 August 1998.

(2) The Diageo LTIP (LTIP)

Under the Diageo LTIP, approved in August 1998, eligible senior executives are granted a conditional right to receive shares or, exceptionally, a cash sum. The rights vest after the end of a three year period following the date of grant (the "performance cycle") provided a performance test is achieved and subject to the discretion of the trustees who operate the LTIP. The performance test is a comparison of the annualised percentage growth in Diageo's share price (assuming all dividends and capital distributions are re-invested) known as total shareholder return (TSR) with the TSRs of a defined peer group of 20 companies over a three year period. The remuneration committee will not recommend the release of awards if there has not been an underlying improvement in the financial performance of Diageo. The first LTIP performance cycle runs from 1 January 1998 to 31 December 2000 and the second from 1 January 1999 to 31 December 2001. Awards of shares will be released, subject to the performance test and the discretion of the trustees, in March 2001 and March 2002 respectively. The number of awards shown will only be released if Diageo reaches position five within the peer group (upper quartile). At position four 125% of the original awards will vest and, at position three or above, 150%. At position ten (median position), 50% of the awards will vest. Between median and upper quartile, vesting will be calculated on a straight line basis. Awards will lapse if Diageo does not reach position ten.

DIRECTORS' REPORT (continued)

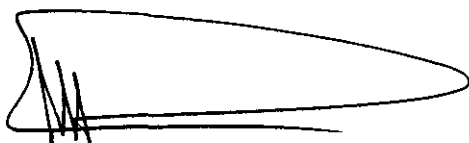
(3) The Grand Metropolitan Restricted Share Plan (RSP)

Awards over shares were granted to senior executives, with eventual transfer dependent on the performance of the TSR against a comparator group of companies at the end of three years after the date of grant. The 1997 awards granted by Grand Metropolitan PLC are now dependent upon the performance of Diageo's TSR against comparator groups of companies.

Secretary

On 1 July 1999 C J Taylor resigned as secretary of the company and M D Peters was appointed in his place.

By order of the board

A handwritten signature in black ink, consisting of a series of vertical strokes followed by a large, sweeping loop to the right.

.....
M D Peters
Secretary

8 Henrietta Place
London
W1M 9AG

20 April 2000

**DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the report of the auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the result of the company for the financial period.

The directors, in preparing the financial statements on pages 7 to 10, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards they consider to be applicable have been followed, and that it is appropriate to prepare the financial statements on the going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE AUDITORS
TO THE MEMBERS OF GUINNESS BREWING (UK) 1996 PROFIT SHARING SCHEME
LIMITED**

We have audited the financial statements on pages 7 to 10.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit plc
Chartered Accountants
Registered Auditor

London

20/4 April 2000

ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention and comply with applicable UK accounting standards.

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 (Revised 1996). The company is also exempt under the terms of Financial Reporting Standard No 8 from disclosing related party transactions (but not balances) with entities that are part of the Diageo plc group or investees of the Diageo plc group.

PROFIT AND LOSS ACCOUNT

During the financial year and the preceding financial period, the company did not trade and received no income and incurred no expenditure. Consequently, during those periods, the company made neither a profit nor a loss, and there were no other recognised gains or losses.

Accordingly, neither a profit and loss account, a statement of recognised gains and losses, a note of historical cost profit and losses, nor a reconciliation of movement in shareholders' funds has been presented.

The notes on page 10 form part of these financial statements.

BALANCE SHEET

	Note	<u>30 June 1999</u> £	<u>30 June 1998</u> £
Current assets			
Debtors - due within one year due from parent undertaking		100	100
		<hr/>	<hr/>
Net assets		<u>100</u>	<u>100</u>
Capital			
Called up share capital	2	<u>100</u>	<u>100</u>

The notes on page 10 form part of these financial statements.

The financial statements on pages 7 to 10 were approved by the board of directors on 20 April 2000 and signed on its behalf by:



S M Bunn
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Directors and employees

None of the directors received any emoluments in respect of their services to the company (1998: £nil). There are no employees of the company.

Auditors' remuneration was paid on behalf of the company by a group undertaking.

2. Called up share capital

	<u>30 June 1999</u>	<u>30 June 1998</u>
	£	£
Authorised, called up and fully paid		
Equity - 100 ordinary shares of £1 each	100	100
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3. Ultimate parent undertaking

The company is a wholly owned subsidiary of Diageo plc, a company incorporated and registered in England.

The consolidated accounts of Diageo plc for the year ended 30 June 1999, can be obtained from the Registered Office at 8 Henrietta Place, London W1M 9AG.

4. Post balance sheet event

Over the period 13 to 20 October 1999 695,741 ordinary shares in Diageo plc at £6.0468 per share were purchased. These purchases were financed by a loan from a group undertaking.